



WEEKLY ECONOMIC DIGEST

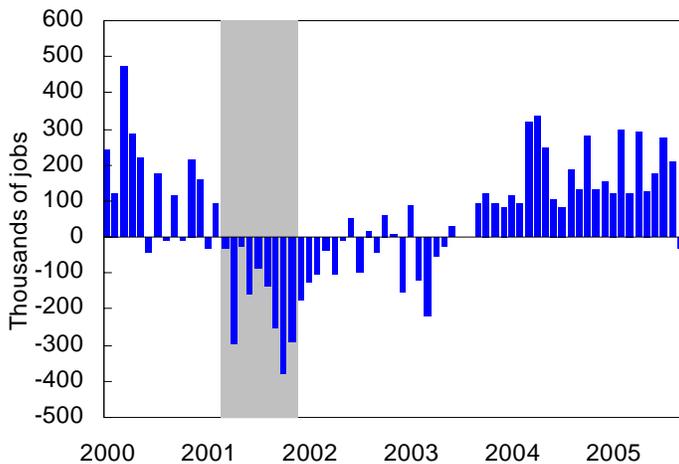


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

October 12, 2005

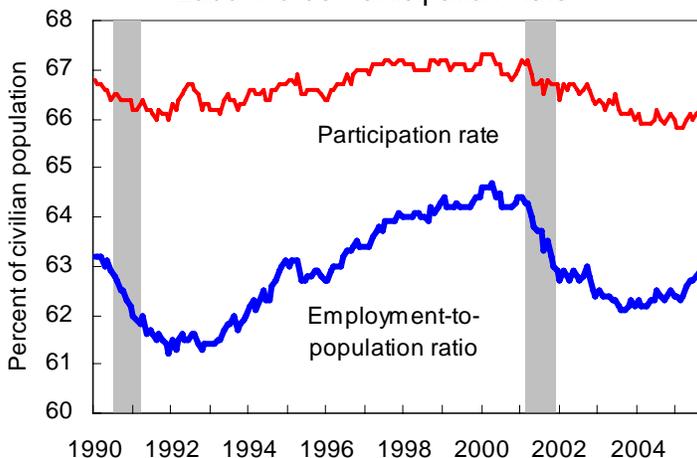
Hurricane Effects Produce Weak September Job Numbers

Change in Nonfarm Payroll Employment



Source: Bureau of Economic Analysis, U.S. Department of Labor and National Bureau of Economic Research.

Civilian Employment-to-Population Ratio and Labor Force Participation Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **Payrolls shrank in September, but not as much as expected.**

Employment at nonfarm establishments fell by 35,000 jobs last month (see top chart), far less than the decline of 150,000 jobs that financial markets had expected. The Department of Labor did not separately estimate the employment impacts of the hurricanes, so it is unclear whether forecasters overestimated the job losses stemming from the hurricanes or underestimated employment growth unrelated to the storms.

- **Unemployment increased in September.**

The unemployment rate rose 0.2 percentage point in the aftermath of Hurricane Katrina to 5.1 percent. The percentage of the population that is employed fell by 0.1 percentage point to 62.8 percent, while the fraction of the population in the labor force was unchanged at 66.2 percent. Both of those measures remain well below their levels at the start of the recession in March 2001 (see bottom chart).

- **Estimating employment was particularly hard last month.**

Difficulty getting data from storm-ravaged areas introduced new uncertainty into the September jobs numbers. Some establishments with workers on their payrolls may not have been able to report, while others may have reported workers kept temporarily on their payrolls that they may subsequently have to lay off. The unemployment rate may not have fully reflected job losses in the flooded New Orleans area.

- **Workers' earnings rose moderately last month.**

Average hourly earnings of production and other nonsupervisory workers at private nonfarm establishments rose by 0.2 percent in September. That was 2.6 percent above last year's level. However, forecasters currently estimate that the consumer price index rose by 0.9 percent last month, so earnings growth probably continued to lag behind the cost of living.

The Economy at a Glance	Sep	Aug	Jul	Jun	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004	2003
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	3.3	3.8	3.3	4.2	2.7
Industrial Production (% growth)*	n.a.	1.2	1.2	10.0	n.a.	1.5	3.6	4.5	4.2	0
Capacity Utilization (level, %)*	n.a.	79.8	79.8	79.8	n.a.	79.4	79.3	78.8	78.1	75.5
Civilian Unemployment Rate (level, %)	5.1	4.9	5.0	5.0	5.0	5.1	5.3	5.4	5.5	6.0
Housing Starts (thousands)	n.a.	2009	2035	2065	n.a.	2044	2083	1973	1950	1854
Real Disposable Personal Income (% growth)	n.a.	-6.2	0.9	4.7	n.a.	1.5	1.0 [#]	4.3 [#]	3.1 [#]	2.4
Retail Sales (% growth)*	n.a.	-22.5	23.8	24.6	n.a.	10.8	6.0	9.9	7.3	4.3
Personal Saving Rate (level, %)	n.a.	-0.7	-1.1	-0.3	n.a.	0.1	0.5	1.2 [#]	1.5 [#]	2.1
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	6.2	6.2	0	n.a.	4.2	2.4	3.6	2.7	2.3
Core CPI-U Inflation (% growth)*	n.a.	1.2	1.2	1.2	n.a.	2.0	2.6	2.3	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	n.a.	2.4	2.4	3.2	3.9	4.0
Output per Hour (% growth)	—	—	—	—	n.a.	1.8	3.2	2.5	3.4	3.8
Financial Markets										
T-bill Rate, 3-month (level, %)	3.42	3.44	3.22	2.97	3.36	2.86	2.54	2.01	1.37	1.01
T-note Rate, 10-years (level, %)	4.20	4.26	4.18	4.00	4.21	4.16	4.30	4.17	4.27	4.01
Federal Funds Rate (level, %)	3.62	3.50	3.26	3.04	3.46	2.94	2.47	1.95	1.35	1.13
Dow Jones Industrial Avg (index level)	10533	10554	10545	10487	10544	10382	10648	10362	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

Upcoming Economic Releases:

- **U.S. Import and Export Price Indexes: September 2005** [Release: Thursday, October 13]
- **U.S. International Trade in Goods and Services: August 2005** [Release: Thursday, October 13]
- **Consumer Price Index: September 2005** [Release: Friday, October 14]
- **Advance Monthly Sales for Retail and Food Services: September 2005** [Release: Friday, October 14]
- **Industrial Production and Capacity Utilization: September 2005** [Release: Friday, October 14]
- **Producer Price Indexes: September 2005** [Release: Tuesday, October 18]